Debt Finance Weekly

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CLIFFORD CHANCE SEMINARS AND BRIEFINGS

Clifford Chance Comment: Financing European defence – how can Europe address the fiscal and capital challenges?

LEGAL AND REGULATORY

LSTA publishes guidance note on reverse solicitation

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Clifford Chance Comment: Financing European defence – how can Europe address the fiscal and capital challenges?

Against a backdrop of geopolitical, strategic uncertainty, Europe is progressing plans to rearm and shoulder more responsibility within NATO. In June 2025, NATO allies made a clear commitment to invest 5% of GDP annually by 2035, including at least 3.5% on core defence spending. However, three concrete questions remain unresolved: (i) how this commitment can be delivered given national budgetary constraints, (ii) how to plug the funding gap for the defence supply chain composed of small and medium-sized enterprises (SMEs), innovative tech companies and start-ups which do not have the same access to finance as the defence primes, and (iii) can new funding instruments, new institutions and a new approach close this gap, leverage public investment and create a virtuous circle which crowds in private capital to meet our needs?

Clifford Chance has prepared a briefing paper highlighting emerging financing options which may help address these challenges and which complement initiatives taken by the EU, such as the SAFE programme. These include:

- new financial products which can help direct private capital to finance the defence and security sectors;
- intergovernmental and multinational initiatives which can complement SAFE, create capacity to raise debt in the capital markets which is not consolidated into national debt figures but which, when combined with the palette of instruments used by development and promotional banks, create a multiplier or leveraged effect that crowds in private capital into funding the defence and security sectors; and
- recent market trends which demonstrate that defence, resilience and security could be the new "green" and can attract private capital in the form of both debt and equity.

Back to top

LEGAL AND REGULATORY

LSTA publishes guidance note on reverse solicitation

The Loan Syndications and Trading Association (LSTA) has published its guidance note on reverse solicitation, which contains language for parties to consider including in loan documentation to evidence reliance on the reverse solicitation exemption for the purposes of CRD6. The LSTA published the exposure draft of the note in July 2026.

The note follows the LSTA's market advisory on CRD6 which explained the reverse solicitation exemption. It proposes a form of special notice for inclusion in confidential information memoranda and lender presentations, together with forms of optional representation for inclusion in company authorisation letters and engagement and/or commitment letters.

The LSTA advises that the inclusion of the language does not satisfy (or prove satisfaction) of the exemption, nor would it override facts and circumstances to the contrary. It merely provides support of and makes a record of reliance on the exemption. Parties should consult (a) their own internal policies regarding the application of reverse solicitation to their transactions and (b) local counsel in applicable jurisdictions to confirm the language meets the standards in such jurisdiction.

Please note the document is only available to LSTA members.

Back to top

► Financial Markets Toolkit
► Newsletter preferences form
► Global Fintech Round-up
► Sustainability – recent ESG developments

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